

CALIFORNIA HIGH-SPEED RAIL AUTHORITY

MONTHLY MEETING

TRANSCRIPT OF PROCEEDINGS

Sacramento City Hall

915 I Street, City Council Chambers

Sacramento, California 95814

Thursday, December 5, 2013

9:01 a.m.

BRITTANY FLORES

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A P P E A R A N C E S

BOARD MEMBERS

Mr. Dan Richard, Chairman

Mr. Jim Hartnett, Vice-Chair

Mr. Tom Richards, Vice-Chair

Mr. Richard Frank

Ms. Katherine Perez-Estolano

Ms. Lynn Schenk

Mr. Thomas Umberg

STAFF

Ms. Janice Neibel, Board Secretary

ALSO PRESENT

Mr. Jeff Morales, CEO

Mr. Thomas Fellenz, Esq., Legal Counsel

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1                   SACRAMENTO, CALIFORNIA, December 5, 2013

2                               9:01 a.m.

3                               --o0o--

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5  
6                   MR. HARTNETT:   The Meeting for the  
7   California High-Speed Rail Authority Board for December  
8   5th is open.   We are going to be adjourning to close  
9   session, after which we will return back into public  
10   session.   We will report anything required to be  
11   reported at that time, and then we will continue on with  
12   the rest of the public agenda.

13                   So we're now adjourned into closed session.

14

15                               (Closed session.)

16

17                   CHAIRMAN RICHARD:   Okay.   Good morning.   The  
18   meeting of the High-Speed Rail Authority Board will come  
19   to order.

20                   Will the secretary please call the roll.

21                               MS. NEIBEL:   Mr. Richards.

22                               MR. RICHARDS:   Yes.

23                               MS. NEIBEL:   Mr. Hartnett.

24                               MR HARTNETT:   Here.

25                               MS. NEIBEL:   Ms. Schenk.

1 MS. SCHENK: Here.

2 MS. NEIBEL: Mr. Rossi.

3 Mr. Umberg.

4 MR. UMBERG: Here.

5 MS. NEIBEL: Ms. Perez-Estolano.

6 MS. PEREZ-ESTOLANO: Here.

7 MS. NEIBEL: Mr. Frank.

8 MR. FRANK: Here.

9 MS. NEIBEL: Mr. Henning.

10 Mr. Richards.

11 CHAIRMAN RICHARD: I am here.

12 Mr. Hartnett, will you lead us in the Pledge of  
13 Allegiance.

14

15 (Pledge of Allegiance recited.)

16

17 CHAIRMAN RICHARD: Thank you.

18 I'd just also say for the record that Mr. Henning  
19 is ill this morning, otherwise he would have been here.  
20 Mr. Rossi is somewhat indisposed.

21 Before we turn to public comment period, the  
22 Board did enter into closed session this morning. We'll  
23 be going back into closed session at the conclusion of  
24 the public session. The Board has returned from closed  
25 session, and this closed session was the first time

1     since recent court rulings in the John Toss et al case  
2     and the validation action that the Board has met and  
3     discussed these rulings. So we had an opportunity to  
4     sit down with all of our colleagues, to sit down this  
5     morning and go through them.

6             I do have one more decision to announce from the  
7     closed session. The Board is directing the High-Speed  
8     Rail Authority staff to prepare any documents needed or  
9     perform all actions necessary to start a new validation  
10    action for the Proposition 1-A bonds. That decision to  
11    do that will have to be made in the future. The Board  
12    would have to notice publically a meeting of the Board to  
13    actually start the validation action. We could not do  
14    that today because there was not the requisite notice  
15    time. So that will come in the future, but the Board  
16    did direct the staff to begin to put all materials  
17    together, take any action necessary to go down that  
18    path.

19            So with that, we will move to the public meeting  
20    portion of the -- the public comment portion of the --  
21    of the meeting and we don't have a lot of -- we don't  
22    have a lot of public commenters this morning, but I just  
23    wanted to say that in the two years I have been on this  
24    Board, I have been pretty liberal with the clock on  
25    public comment period, but I have always taken the

1 position that a lot of people drive a long way and that  
2 they have things to say. I felt that at the last  
3 meeting, for the first time, that it was starting to get  
4 abused a little bit, and my really real concern is that  
5 everybody needs an equal opportunity to present their  
6 ideas to this Board. And so if somebody is talking for  
7 six or eight minutes and somebody else is talking for  
8 two minutes, then we're not affording the public an  
9 equal opportunity, and we need to. So I'm still going  
10 to give people an opportunity to finish their  
11 statements, but I'm really going to ask people to stick  
12 to the time that we allot so that we give everybody a  
13 fair and equal opportunity to present what they need.  
14 If you need a little time to finish what you're saying,  
15 then I'll respect that, but I'll ask you respect, not  
16 only the Board, but also your fellow citizens and keep  
17 that under control.

18 So with that, we'll start with Paul Guerrero  
19 followed by Dan Dolan and then Diana LaCome.

20 Good morning.

21 MR. GUERRERO: Good morning. That was a  
22 shock. I want to make a very short comment on something  
23 I wrote which I don't normally do, and that's Item 5,  
24 Approval to Issue a Request for Qualification for  
25 Right-of-Way Engineering Services. I thought this had



1    been done quite a ways back -- selected and it was small  
2    businesses.  So maybe I'm wrong, and correct me, but I'd  
3    sure like to find out if that's true, because if you're  
4    asking small businesses to do it all over again, that's  
5    a lot of money out of pocket.  To do it once is  
6    expensive.  Several times -- because -- so --

7                   CHAIRMAN LOPES:  When we get to that item,  
8    I'll ask Mr. Morales --

9                   MR. GUERRERO:  Yes, please.  Please.  Once  
10   was enough.

11                  The other thing I just wanted to make a short  
12   comment on is I was on the last Friday meeting and I  
13   kind of reported to everybody what takes place at the  
14   different meetings I go to.  And I reported that --  
15   about the High-Speed Rail.  And I got some pretty  
16   negative comments back from our members talking about  
17   the -- what I have been talking about is the  
18   so-called -- and this is the words -- "dog and pony  
19   show" that's being put on for outreach.  But I urge you  
20   to really take a look at the outreach to clean it up so  
21   that when a person is driving from, say, San Jose or  
22   Stockton to San Francisco or to Sacramento to go to an  
23   outreach meeting and go there, and the Board says  
24   they're going to be open at 10:00 o'clock, that they're  
25   in the room at 10:00 o'clock.  They're not lining out in

1 the lobby. That when they get in there, that there are  
2 tables set up for the primes, because if the primes are  
3 sitting at the tables, you can come around and shake the  
4 primes hand and meet the buyer, you know, for the prime  
5 and say, "Hi, here's my card. This is what I do," you  
6 know, "Let's keep in touch," because that's the  
7 communication we want. We don't want the primes in the  
8 audience with a badge on, because you got to go hunting  
9 for them, and that's not a real good outreach, and it  
10 doesn't reflect on what we're trying to do here. So  
11 please help me out, because I got the blast on this last  
12 night, and it didn't feel good. So I'm not blasting you  
13 guys, but I know how it feels. Thank you.

14 CHAIRMAN RICHARD: Thank you, Mr. Guerrero.  
15 Mr. Dolan followed by Diana LaCome.

16 MR. DOLAN: Hi, my name is Dan Dolan from  
17 Martinez, California. My voice sounds a little funny  
18 for the reason it does because I have been suffering  
19 terribly from asthma. And the asthma that I have -- the  
20 source of the asthma -- was -- occurred in 2003 by  
21 Caltrans when the overpass for Arch Road leading to the  
22 Stockton Municipal Airport. I work at a company called  
23 Chicago Title a half a mile away, and I had never had  
24 asthma before until I worked there for several years,  
25 unfortunately, during the period of construction of this

1 overpass. And so I'm concerned with Item Number 7 and  
2 also with the prior design and build contracts for all  
3 these overpasses and reexpansion \$1 billion number for  
4 relocation costs for the City and County of Fresno that  
5 they'll be partnering with the Authority and sharing  
6 costs. And what I'm really concerned about is that no  
7 contract, to date, has addressed the issue of what  
8 happened to Chevron in just one day, when there was  
9 release of admission and 15,000 people made claim that  
10 they were affected by their air quality. Well, I can  
11 tell you from experience that air quality in the City of  
12 Fresno and Fresno County and Madera as well that this  
13 project takes three or four years to build those  
14 overpasses and lay the tracks and what have you, that  
15 there's going be tremendous amounts of dirt and air  
16 pollution and children and elderly people will be  
17 affected and going to the emergency rooms and what have  
18 you, to cause the City and County a lot of money in  
19 unneeded health expenses, and I think there should be  
20 mitigation amount of, like, maybe \$5 million for just  
21 the first 29 miles of this project as a precaution  
22 against lawsuits.

23 CHAIRMAN RICHARD: Okay. Thank you.

24 Ms. LaCome, good morning.

25 Ross Browning will be next.

1 MS. LACOME: Good morning, Chairman Richard,  
2 Members of the Board. I'd like to speak to you about  
3 two items. One is a disparity study and the second is  
4 unbundling the contracts. The Federal Rail  
5 Administration requires that the Authority conduct a  
6 full disparity study, and it's taken a while, but it's  
7 my understanding that there's a consultant on board, but  
8 we have not been notified of any meetings. We don't  
9 know if there's a schedule of meetings or anything. Our  
10 members have been asking us. So if there have been  
11 meetings held, we'd like copies of the organizations  
12 that attended, dates, and so on. And if no meetings  
13 have been scheduled yet, I sure hope that they aren't  
14 scheduled in December because there will be minimal  
15 attendance due to the holidays.

16 We request a copy of the meeting transcripts and  
17 a web -- taped webcast that we can share with our  
18 members. Unbundling of contracts -- FRA specifically  
19 asked the Authority to unbundle contracts so that small  
20 businesses could participate as subcontractors and even  
21 prime contractors. CHSR CEO VanArk made a commitment to  
22 us to unbundle large contracts. He agreed. He  
23 understood that this would give small businesses a  
24 greater chance of participation. FRA's recommendation  
25 and VanArk's commitment have obviously gone on deaf

1 ears, because instead of unbundling, the Authority has  
2 bundled. A good example is CP-2 and CP-3 and PCM-2 and  
3 PCM-3 so fewer small, disadvantaged, and disabled  
4 veteran businesses will be able to participate. So we  
5 understand that it's for expediency purposes for the  
6 Authority, but we hope that expediency at the cost of  
7 excluding small businesses is not the way to go.

8 One last thing, attached to the, the memo that I  
9 have handed you is a comparison of Caltrans and the  
10 Authority relative to engineering contracts. I believe  
11 it makes a good case for unbundling. Thank you for your  
12 attention.

13 CHAIRMAN RICHARD: Thank you, Ms. LaCome.  
14 We'll follow up on that issue.

15 Okay. Ross Browning followed by Alan Scott.

16 Okay. Mr. Browning and Mr. Scott have asked me  
17 to reverse those.

18 MR. BROWNING: It's my attempt to keep him  
19 within time limit

20 CHAIRMAN RICHARD: We appreciate that.

21 Mr. Scott, Good morning.

22 MR. SCOTT: In the spirit of the holidays,  
23 good morning and blessed holiday to everybody. Merry  
24 Christmas and happy new year. I'm not going to be here.  
25 I'm going to be in Ireland.

1 I'm reading a statement from Ms. Colleen  
2 Carlson, county counsel for Kings County and also  
3 applies to Citizens for California High Speed Rail  
4 Accountability.

5 As follows: Board members, on behalf of Kings  
6 County, whose member cannot be here today, and on behalf  
7 of the Citizens for California High-Speed Rail  
8 Accountability, we would like to express our extreme  
9 disappointment in your actions which continue to be  
10 deceptive. I am speaking of the secretive petition for  
11 exemption submitted to the Service Transportation Board  
12 for exemption on the construction at the Fresno to  
13 Bakersfield segment, which on you filed on September  
14 26th, 2013.

15 Key points, without noticing any of the parties  
16 to whom you know would be interested, without ever  
17 discussing this at an open meeting, without ever  
18 reporting from unclosed session your intent to file in  
19 violation of the open meeting laws, and asking for  
20 all -- sorry -- and asking for all of this before ever  
21 completing your environment obligations for the segment,  
22 you continue to dis-manage this project. And to the  
23 embarrassment of Californians who are paying for it, you  
24 are responsible to spearhead the first high-speed rail  
25 project in the nation, and you're making a mockery out

1 of it.

2 Please note for the record, the specific request  
3 of Kings County and the Citizens for California  
4 High-Speed Rail Accountability desire to be noticed on  
5 any subsequent filings with the Service Transportation  
6 Board or any segment of the High-Speed Rail project on  
7 behalf to Ms. Colleen Carlson. Thank you.

8 I have a copy for every board member.

9 CHAIRMAN RICHARD: Okay. Well, Mr. Scott, I  
10 appreciate you stepping in for the United States Postal  
11 Service. We'll respond to counsel's letter. Thank you.

12 MR. SCOTT: Okay.

13 CHAIRMAN RICHARD: Mr. Browning.

14 MR. BROWNING: My name is Ross Browning.  
15 I'm from Layton, the part of Layton that is in Kings  
16 County not the part that's in Fresno County. Thank  
17 goodness. I have a few comments to make. I'm going  
18 along with what Mr. Scott reported. There's a letter  
19 here from the congressional liaison of the Service  
20 Transportation Board to whoever, said, "Today, the Board  
21 issued a procedural order in the California High-Speed  
22 Rail case. The California Rail Authority had requested  
23 that the Transportation aspects of the case be decided  
24 before the environmental process was completed, and the  
25 agency denied this request. We also extended the

1 comment period on the transportation until December the  
2 24th, 2013."

3 One of our members has commented, "Why did they  
4 file," 'they' being the High-Speed Rail Authority, "the  
5 STB proceeding without any notice to anyone given the  
6 numerous known interested parties from the prior STB  
7 proceeding?" And secondly, "When did board  
8 authorization finally initiate this new STB proceeding  
9 as it is not reported out in minutes of nine -- the  
10 September the 10th meeting? In fact, there's no report  
11 out on any of the four closed sessions, items mentioned  
12 for that meeting. Guess this is a secret government,"  
13 and a lot of that. "Failure to include notice to the  
14 minutes makes the whole thing look like an underhanded  
15 and clandestine move. Not exactly a model of  
16 transparency and outreach." Thank you.

17 CHAIRMAN RICHARD: Thank you. Actually, our  
18 CEO is going to comment on the STB rule later on. Thank  
19 you, Mr. Browning.

20 I'm sorry. Normally, I take the public officials  
21 first. Card got scrambled.

22 Our stalwart Henry Perea, supervisor from Fresno  
23 County.

24 Supervisor, good morning.

25 MR. PEREA: Good morning. Thank you,



1 Mr. Chairman, members of the Board. Again, I want to  
2 say, "thank you," for all of the hard work and  
3 everything that you're doing for a lot of folks, not  
4 just in California, for this county. You know, I think,  
5 like you, I reflected these last few weeks about some of  
6 the hard things this country has done to make it the  
7 great country that it is. I mean, we built the  
8 interstate system, the Panama Canal, the Hoover Dam,  
9 Golden Gate Bridge, and the list goes on. And I think  
10 if you read through history, these were not easy  
11 projects to do. There were a lot of folks who supported  
12 it and a lot of folks who didn't. There's folks that  
13 say, "it can't be done." Well, high-speed rail, one  
14 day, will be on the list where, yes, there's folks that  
15 have concerns and they have to be handled. I know they  
16 have to be met with respect, but we're going to look  
17 back and say, "this was a great endeavor." You folks  
18 are the right people at the right time. Please stay the  
19 course and keep making positive decisions. I know you  
20 made the decision to begin construction. We ask that  
21 you consider a groundbreaking soon on that project in  
22 the Fresno area. We ask that you make a decision on the  
23 maintenance facility, wherever that might be in this  
24 valley. The point is, make a decision and move forward,  
25 and we stand with you and we know this will get done

1 under your leadership. So thank you again, and have a  
2 merry Christmas.

3 CHAIRMAN RICHARD: Thank you, Supervisor.

4 Marvin Dean followed by Robert Jones.

5 Good morning, Mr. Dean.

6 MR. DEAN: Good evening, everyone -- or good  
7 morning I should say. First of all, I want to say to  
8 the Board, I understand that your biggest challenge  
9 is -- in this project is getting it on track with all  
10 the challenges that you have before you. Those of us  
11 who support the project, believe that's where your  
12 priority needs to be focused. That's number one -- is  
13 getting this project forward, and the people that are  
14 opposed to it even work for this Board, and those of us  
15 that may have some concerns with this leadership, we  
16 should bring our concerns to the Board and work with the  
17 Board. But I want to say -- I want to speak on Item  
18 Number 2 and Item Number 3 and Item 4.

19 Before I do that, I want to say that my  
20 background -- because I speak to this issue -- is I'm a  
21 product of affirmative action. Some people think  
22 affirmative action was an excuse to give people an  
23 opportunity to be involved in something that they wasn't  
24 entitled to. But what affirmative action was, was it  
25 opened the door to give people locked out of the process

1 the opportunity to have an opportunity to be able to  
2 participate, and then whether their own merits  
3 determined whether or not they were successful at  
4 staying in. And I started 69 PGA, I wrote the first  
5 line in outside construction. I know how to -- as being  
6 the first but I wouldn't trade it for anything because  
7 it taught me that a lot of times, people have  
8 misperceptions of you until they get a chance to know  
9 you and they respect you and friendships are formed.  
10 But those that have been affected by that, most of us  
11 are advocates for other people that are locked out of  
12 the system because we believe that in order to have  
13 something solved, you have to first put the spotlight on  
14 the problem and work with people collectively in order  
15 to overcome those problems. So I just wanted to give  
16 that. That's why I'm always before you about the issues  
17 about diversity not to be exclusive of anybody else but  
18 to advocate for people that can't advocate for  
19 themselves.

20 And I want to comment -- I want to start with  
21 Item Number 4 because I want to give a very good comment  
22 to Jeff Morales and to this Board. When I first brought  
23 this issue, when VanArk was your CEO, at the time, I  
24 brought the issue then that one African-American that  
25 worked for your staff. And I remember a group of Jeff

1    Morales -- and not Jeff but VanArk -- and he was so  
2    concerned about what we did, he went out and brought  
3    that one soul, African-American, into the room and she  
4    was the one person there. And I'm not going to say who  
5    she is. So when I see this report, Jeff, I want to say  
6    to your staff, I'm very, very pleased with the report  
7    because it shows, I talked to you privately and  
8    publically, you said you're going to get some things  
9    done. It's important for this agency, because some of  
10   us believe how are you going to say to the prime  
11   contractors that you want participation if you,  
12   yourself, don't do it, lead by example. So the report  
13   says that you're very serious about that, and I told  
14   some of your staff, "Tell Jeff that I have seen some of  
15   the diversity in terms of African-Americans."

16            Item Number 4, and I'm just going to say that  
17   Robert is going to speak more because basically, we  
18   believe that Item Number 4 -- Item Number 3 does not  
19   give me a true picture to address the concerns that we  
20   raised because it doesn't give you any breakouts like  
21   Item Number 4 does, and my colleague is going to talk  
22   more about that. We think that Item Number 3 is still a  
23   process. Thank you.

24            CHAIRMAN RICHARD: Thank you, Mr. Dean. I  
25   appreciate it, and I know your comments went to a very

1 important issue, and I'm sorry to limit you, but we'll  
2 hear from Mr. Jones as well.

3 Mr. Jones, welcome back.

4 MR. JONES: Good morning, Board. I have  
5 been before you -- this is now my third time and I  
6 support everything that Mr. Dean has said this morning,  
7 so I won't repeat what he has said. I would like to  
8 comment on a couple of things that the group, the small  
9 business and disadvantage business groups that I belong  
10 to support the California High-Speed Rail of what we do.  
11 We would like to continue to explore the ideas of  
12 diversity. And then when I read the -- my group read  
13 the small business program update, Item 3, what we  
14 believe we had asked for is a breakdown of contracts  
15 commitments by ethnic groups, and I'd like to add  
16 "gender" to that. And so as we read that report, I  
17 didn't see that information. I saw bar charts that  
18 indicated, I believe, commitments, perhaps awards, that  
19 identified small business, disadvantage business, five  
20 percent, but there was no breakdown based on ethnic  
21 lines or gender lines.

22 And then, as I was doing some research earlier  
23 this week, I came across a revised small business,  
24 disadvantage enterprise program that -- the one I have  
25 is in draft form. And as I went through it, some of the

1 information -- or a lot of the information -- that we're  
2 requesting is, is mandated by this program. There's a  
3 form that the California High-Speed Rail is, is required  
4 to fill out, and it's, it's submitted to Federal  
5 Railroad Administration, and it's called, "Uniform  
6 Report of the DB award and commitment," and that report  
7 is due annually. It was dune on June the 1st. It was  
8 due on December the 1st. And what I am recommending to  
9 the Board this morning is they make information  
10 available to the general public, and I believe that it  
11 will either answer some of the questions that we have  
12 brought up in regards to where the contracts are being  
13 expanded as it relates to small business DBE, and it  
14 will answer a lot of the questions. And so I do have  
15 copies of the form that was due and I'd like to hand  
16 it --

17 CHAIRMAN RICHARD: Please do.

18 MR. JONES: -- to the Board to see what  
19 we're looking for and all the things that we're asking  
20 for are on here.

21 CHAIRMAN RICHARD: Thank you very much,  
22 Mr. Jones. We appreciate that information, and I'll ask  
23 the staff to be in a position to respond. So thank you,  
24 sir.

25 The last two speakers, Kevin Dayton followed by

1 Mark Kyle.

2 Good morning.

3 MR. DAYTON: Good morning, Mr. Chairman.  
4 Kevin Dayton, president of Labor Solutions in Roseville.  
5 First, the majority of California citizens would like  
6 you to stop moving forward with the project until  
7 compliance with the law is resolved, and you probably  
8 are not going to hear much about that at this meeting,  
9 but you need to look at what you're doing and say, "Are  
10 we betraying the trust of the taxpayers by continuing to  
11 do this when we're having some difficulty following the  
12 law."

13 Beyond that, I wanted to mention a couple of  
14 issues that I'm having. On October 24th, I submitted a  
15 Public Records Act request to obtain a documentation  
16 about how the Project Labor Agreement on unions on  
17 high-speed rail was negotiated behind the scenes,  
18 implemented with no public deliberation or vote of  
19 support. On November 4th, I received a notice saying,  
20 "We'd like our ten-day extension." On November 18th, I  
21 receive a noticed saying that I would receive the  
22 information by December 20th, and I'm speaking here  
23 publically before the Board to ask, can I get my  
24 documentation so that we can find out what happened  
25 behind the scenes of the Project Labor Agreement? I

1 have requested, from a couple of other agencies,  
2 documentations. So I have a lot of it, but there's some  
3 puzzle pieces missing, and I'd like to know what  
4 happened in the High-Speed Rail Authority.

5 Also, I saw a tweet from a reporter with  
6 KCRA saying that the Board of Public Works is going to  
7 acquire a few properties in Fresno through imminent  
8 domain, and I was told -- I haven't confirmed -- that's  
9 it's 2222 G Street, a State Department of Corrections  
10 parol office and 69 East Belmont Avenue, an old store.  
11 It says, "The Bell Tower" on it. And I think, once  
12 again, the people of California would be interested in  
13 knowing you're proceeding with these acquisitions of  
14 property here even though you still have these  
15 compliance with State Law to work out. Why is this  
16 happening? What's the purpose behind these? Once  
17 again, it's a question of being open with people and  
18 explaining what's going on. Thank you.

19 CHAIRMAN RICHARD: Thank you, Mr. Dayton.

20 Finally, Mark Kyle.

21 Good morning, Mr. Kyle.

22 MR. KYLE: Good morning, Chairman Richard  
23 and Board members. My name is Mark Kyle. I represent  
24 Operating Engineering Local Union Number 3. We have  
25 24,000 working men and women here in northern



1 California, and I just want to comment on the recent  
2 obstacles thrown in the path of this project,  
3 specifically, the Superior Court decision and the  
4 Service Transportation Board decision. We want to say  
5 that despite the significant obstacles, despite the  
6 naysayers that populate the state and seem dead set on  
7 stopping this project, we believe that high-speed rail  
8 should be built, that you should put your shoulder to  
9 the grindstone and continue to push on. Not only do we,  
10 at Operating Engineers, want to help build this project,  
11 but we believe that it's part of a vision of the future  
12 of California and that future includes a vibrant  
13 economy, a viable transportation system throughout  
14 California including high-speed rail, clean air to  
15 breathe for our children and grandchildren, clean air  
16 due to a reduced carbon footprint because of high-speed  
17 rail, and we just want to affirm or reaffirm our  
18 commitment to high-speed rail that we'll work with you  
19 and your agency and bring it to fruition and we'll work  
20 with our brothers and sisters for organized labor in  
21 helping to make that happen. So let's make it a better  
22 state. Let's continue to go forward despite the  
23 obstacles. Have a good holiday season. Thank you.

24 CHAIRMAN RICHARD: Thank you, Mr. Kyle.

25 Okay. That concludes the public comment session.

1 Appreciate everybody's comments this morning, and we'll  
2 move through our agenda.

3 The first item, as always, is the Approval of the  
4 Board minutes.

5 MS. SCHENK: So move.

6 MS. PEREZ-ESTOLANO: Second.

7 CHAIRMAN RICHARD: It was moved by Director  
8 Schenk and seconded by Director Perez-Estolano.

9 Please call the roll.

10 MS. NEIBEL: Mr. Richards.

11 MR. RICHARDS: Yes.

12 MS. NEIBEL: Mr. Hartnett.

13 MR. HARTNETT: Yes.

14 MS. NEIBEL: Ms. Schenk.

15 MS. SCHENK: Yes.

16 MS. NEIBEL: Mr. Rossi.

17 Mr. Umberg.

18 MR. UMBERG: Yes.

19 MS. NEIBEL: Ms. Perez-Estolano.

20 MS. PEREZ-ESTOLANO: Yes.

21 MS. NEIBEL: Mr. Frank.

22 MR. FRANK: Yes.

23 MS. NEIBEL: Mr. Henning.

24 Mr. Richard.

25 CHAIRMAN RICHARD: Yes.

1           Okay. Those are approved.

2           The next item, Item 3, the small business program  
3 update. Mr. Padilla.

4           Mr. Morales, do you have introductory remarks?

5           MR. MORALES: Yes. I want to respond to  
6 part of an issue raised in public comment before Robert  
7 starts. I think the report you'll get here shows that  
8 we're making major progress meeting the Board's  
9 commitment to small business, and we'll continue to do  
10 that. We are absolutely committed to unbundling  
11 contracts as you have seen in the report. We have, in  
12 fact, structured certain procurements to really be  
13 targeted specifically at small businesses being able to  
14 prime. The example given of Construction Package 2-3,  
15 frankly, there's no scenario to which that would become  
16 available to a small business prime.

17           CHAIRMAN RICHARD: It's a billion-dollar  
18 contract.

19           MR. MORALES: We're talking, even  
20 separately, upwards of a billion dollars. We're going  
21 to have issues, frankly, as we go forward, we're going  
22 to be graduating small businesses out of the small  
23 business program through our program. That's a good  
24 thing, but the difference between a \$1 billion and a  
25 \$1.5 billion contract is not a bundling issue, and it

1 really does not affect the small business participation  
2 as a prime. It is critical to note that 30 percent goal  
3 applies to any and all of our contracts, and we'll see  
4 the results of those as we go forward. So out of those  
5 contracts signed, billion dollar contract, 30 percent  
6 participation is several hundred million dollars. So,  
7 you know, we're very proud of what we are doing, working  
8 with the small business community, and carrying out the  
9 mandate that this Board sets to achieve.

10 With that, Robert.

11 CHAIRMAN RICHARD: Thank you.

12 MR. PADILLA: Good morning, Chairman and  
13 Board members. My name is Robert Padilla, small  
14 business advocate for the Authority. You received in  
15 your packets, of course, a briefing. What, what I'm  
16 here to talk about is some of the progress that we have  
17 made to tell a story about our small business program,  
18 particularly, over the last few years.

19 As you recall, in November of 2011, you adopted a  
20 program, small disadvantaged business program and made  
21 very clear your commitment to establish a 30 percent  
22 small business goal on all contracts. That included the  
23 ten percent raise in gender, disadvantage business  
24 enterprise, as well as three percent on the disabled  
25 veterans business enterprise program. The top objective

1 of all of these initiatives have been to create a  
2 program that is flexible, attainable, efficient, and  
3 creditable.

4 As the Authority matures, there are a lot of data  
5 needs that we recognize, and we're working to address  
6 all of those. As part of the program, the Board has  
7 committed several components to that plan. These  
8 include contractors providing no cost to technical  
9 supportive services to the small and large contractors  
10 on our projects. More than anything, we want to ensure  
11 that a line of communication stays open to assist all  
12 small businesses and that these guidelines continue to  
13 encourage that dialog between private and public sector  
14 enterprises. While we are not a certifying agency, we  
15 work with all of our partners in the small business  
16 community statewide and on the Federal level to  
17 facilitate certification as appropriate to those small  
18 businesses that need and want that. And as an  
19 Authority, we continue to seek new and innovative  
20 approaches to the industry, to the small business  
21 community that we gratefully serve. Part of that  
22 process is to approve our policies. As we grow as an  
23 organization, as we deal with a lot of the challenges of  
24 our project, many of which are unknown, I think it's  
25 important for us to keep that open mind to addressing

1 new challenges both for the Authority as a State entity  
2 and as the private sector to contractors. To eliminate  
3 barriers and increase small business participation along  
4 the way.

5           Probably one of the most critical parts of that  
6 was the creation of a small business council. We meet  
7 every other month. It was established back in April of  
8 2012. The council, itself, is representative of  
9 statewide construction professional service trade  
10 associations with primary and secondary representation.  
11 We call upon them to serve on this council on a  
12 volunteer basis, and we're grateful for that time and  
13 effort that they place, and in doing so, provide us  
14 essential input and advisement to the practices that we  
15 implement in our program, and as we're moving forward, I  
16 will talk a little bit about where we're at today. But  
17 as we're moving forward, we will be looking to update  
18 the small business program plan that will reflect the  
19 vision of our, our CEO and of this Board to support the  
20 recommendations of that council.

21           I do want to draw your attention very quickly and  
22 I do want to make my comments brief. I know you have a  
23 lot of business before you. If you will take that slide  
24 up. We'll take a look quickly at a graph that we're  
25 provided, and then if there's more information that we

1    need, we're going to work hard to get it to provide all  
2    that we can.

3            This is a simple story I think.  If you take a  
4    look at the colored chart on the right, the red are  
5    firms that are certified both as a small business by the  
6    State of California and as disadvantaged enterprise on  
7    the Federal side.  The blue -- purple is a certified  
8    small business.  The yellow is a certified DBE,  
9    Disadvantaged Business Enterprise.  The green, lime  
10   green, is a certified disadvantaged business enterprise.  
11   You're taking a look at 14 contracts.  I believe four or  
12   five on the right-hand side represent amendments of  
13   these 14 contracts.  They were awarded between November  
14   2011 and 2013, and I draw your attention to the fact  
15   that they are at commitment only.  Five of the fourteen  
16   contracts, as I mentioned, are amendments.  Some of  
17   these were met for time and funding.  14 of the  
18   contracts, you will see, meet the overall 30 percent  
19   goal with firms that are certified.  14 of these  
20   contracts include DBE and DVBE, Disadvantaged Business  
21   and Disabled Veterans Business Enterprise.  As you can  
22   see, four of these contracts are one hundred percent  
23   small business at commitment.  I also wanted --

24            CHAIRMAN RICHARD:  Excuse me.  Mr. Padilla,  
25   I'm sorry.  I just wanted to make sure I have got the

1 legend here right. The red represents companies that  
2 are both small business and DBE; is that correct?

3 MR. PADILLA: Yes. You could count them as  
4 either one.

5 CHAIRMAN RICHARD: They could count as  
6 either one.

7 MR. MORALES: Mr. Chairman, two points of  
8 clarification. One, these are the contracts that have  
9 been awarded since the adoption of the Board policies.  
10 That's why these are being shown, and your question gets  
11 to some of the issues that were raised earlier in public  
12 comment also. How firms are counted, depends in part in  
13 how they are certified, how they identify themselves.

14 CHAIRMAN RICHARD: Right.

15 MR. MORALES: So we can't count, and so  
16 that's why they're broken out based on how they are  
17 certified under the State certification program.

18 CHAIRMAN RICHARD: But to me, the most  
19 important part of this is that, you know that we have  
20 adopted a thirty percent small business goal, which I  
21 think every member of the Board is justifiably proud.  
22 We also know that underneath of that, that there are  
23 businesses who are either women-owned or minority-owned  
24 that may -- that there may be small businesses that  
25 don't fall into that category. So we're trying to make



1 sure that we reach across the spectrum here. So this  
2 looks like it's showing that there's participation from  
3 DBEs across this in the range of ten to 12 percent on  
4 these, and then the SBE, we're looking at the 30 percent  
5 level. And, of course, Mr. Umberg would be very  
6 interested in the green portion, which goes to the three  
7 percent set aside for the disabled veterans. So I guess  
8 the question is, are we feeling good about these  
9 numbers? Are we -- how do we see this and where are we  
10 going with this?

11 MR. PADILLA: Well, I'm extremely pleased  
12 with the numbers. At the very least, disabled veteran  
13 business enterprise, three percent exist on all of the  
14 contracts. Disadvantage business enterprise, the  
15 yellow, is represented on all but one contract, which  
16 was an amendment. So we have met and, in two cases,  
17 exceeded that. In all the contracts, we have met the 30  
18 percent small business goal. But I caution the Board,  
19 this is at commitment only, and it what's challenging.  
20 As we move forward collecting more and more data, the  
21 utilization and the payment on these contracts, we'll  
22 have more data to share.

23 CHAIRMAN RICHARD: So you're saying, we need  
24 to be careful that there's not a gap between promise and  
25 delivery.

1                   MR. PADILLA: Absolutely. This is  
2                   commitment. We're pleased with that. The message to  
3                   our contractors is clear. The affidavit they signed  
4                   promises -- I call it promise -- to meet and exceed that  
5                   goal and I think our story is that has been  
6                   accomplished. Now, can we do better? Of course. My  
7                   job is to require 40 and 50 and 60 percent, but in a  
8                   practical world, I believe the prime contractors are  
9                   getting the message that you mean business with small  
10                  business, and I think that's what this graph shows.

11                 CHAIRMAN RICHARD: Yeah. We have a couple  
12                 of questions.

13                 Mr. Hartnett.

14                 MR. HARTNETT: Could you -- I know this is a  
15                 simple question, but can you clarify what "commitment"  
16                 means. I -- say, "this is at commitment level," what  
17                 does that mean?

18                 MR. MORALES: Mr. Hartnett, commitment is  
19                 what is in the contract from the proposal and what is in  
20                 the contract that's signed. So they have identified,  
21                 they have made a contractual commitment to meet the goal  
22                 and have identified, in many cases, at least a large  
23                 number of firms actually make up that percent. What  
24                 Robert is speaking to is that's the front end commitment  
25                 they made. We monitor as we go through to ensure that,

1 in fact, that goal is achieved over the course of the  
2 project.

3 MR. HARTNETT: And that's what I'm trying to  
4 be clear on. It is not a generalized commitment in  
5 principle. It is for purposes of this contract. We  
6 have identified these categories of people who we are  
7 going to hire to perform these services and it's not,  
8 we're going to go look for them. It is, we got them.  
9 Is that a fair statement?

10 MR. MORALES: That is. And, in fact, part  
11 of the procurement process includes a review to ensure,  
12 that firms identified are, in fact, certified small  
13 businesses or DBEs and all that. So commitment in a  
14 contractual commitment. It's not a moral commitment.

15 MR. HARTNETT: Right. I ask for that  
16 clarification because we often use language here that  
17 doesn't make any sense, and, you know, just using the  
18 word "commitment," to me, doesn't help any. I know  
19 it's, you know, materials and so forth, but I think we  
20 just have to be clear on what the heck we're talking  
21 about at times.

22 MR. PADILLA: Well, under the design build  
23 format, the contractor will submit a performance plan.  
24 It is their commitment of how they expect to achieve  
25 that goal, and we reviewed that and take a look at it.

1     So when they submit their proposal for this and the  
2     contract is executed, we have the name of those and we  
3     count that up to meet that number.

4             MR. HARTNETT:   Thank you.

5             CHAIRMAN RICHARD:   Vice-Chair Richards.

6             MR. RICHARDS:   I'm sorry.   I'm going to  
7     belabor this because I'm confused.

8             So by the fact that you're saying that these are  
9     committed, does that mean the 14 contractors who have  
10    received these jobs have committed to hire within those  
11    contracts, these various categories of small businesses  
12    and disadvantage business?   Is that what that means,  
13    Robert?

14            MR. PADILLA:   Yeah.   I mean, in some cases,  
15    they can exceed the 10 percent when there's -- project  
16    construction management has more than the 10 percent, as  
17    you can see, and we call it commitment separate from  
18    utilization, because in some cases, for example, on  
19    CP-1, the contract between the prime and the first tier  
20    sub may not executed.   There may be change orders.  
21    There may be substitutions.   There may be some things  
22    subsequent to the execution of the contract downstream.

23            MR. RICHARDS:   So it means on the four that  
24    are absolutely a hundred percent, it means that those  
25    subcontracts are actually all various categories of

1 small business making up the entire subcontract?

2 MR. PADILLA: Yes.

3 MR. RICHARDS: Okay. But what you're going  
4 to track now, this is the -- now you're going to track  
5 the actual utilization of funds to ensure that the  
6 commitments actually translate into the actual action or  
7 activity by these types of firms?

8 MR. PADILLA: Yeah. You know, the simplest  
9 way that I can think of is commitment up front. Now,  
10 when that prime engages that subcontractor to do work,  
11 that's the utilization, but we'll actually count it when  
12 that subcontractor is paid.

13 MR. RICHARDS: Okay. I'm -- I was confused  
14 because it would seem to me that when you're putting  
15 this down it would mean that these contacts have already  
16 been let to these firms.

17 MR. PADILLA: To the primes -- to the  
18 primes, they have.

19 MR. RICHARDS: To the primes but not --

20 MR. PADILLA: In some cases, the primes may  
21 or may not be.

22 MR. RICHARDS: And is there a way then each  
23 of these contracts in the future as you present  
24 information to us that you could put adjacent to those  
25 contracts the total amount of the contract dollars so we

1 can see how many dollars?

2 MR. PADILLA: In a very, very rough  
3 estimate -- is approximately around \$1,058,000.

4 MR. MORALES: Short answer would be, "yes."

5 MR. RICHARDS: Thank you.

6 MR. MORALES: Yes.

7 MR. RICHARDS: Thank you.

8 CHAIRMAN RICHARD: Ms. Perez-Estolano.

9 MS. PEREZ-ESTOLANO: Good morning. I think  
10 what we heard in terms of some questions -- I think what  
11 we heard in terms of some questions in the public  
12 comment was that we could kind of peel down the  
13 information and actually grill down even better in terms  
14 of ethnic groups and diversity counts. Is that -- isn't  
15 that the case that actually it's not just SBE, DBE but  
16 actually that there's also information that's in terms  
17 of ethnic categories?

18 MR. PADILLA: Yes, on the disadvantaged  
19 business enterprise. On the State certification for  
20 small business and disable veteran and micro businesses,  
21 Prop 209 allows us to go much further. That's voluntary  
22 information.

23 MR. MORALES: That's a very important point  
24 is that our ability to drill down is dependent upon the  
25 information coming from the firm and how they identified

1 themselves.

2 MS. PEREZ-ESTOLANO: It's voluntary  
3 information.

4 MR. MORALES: It's voluntary information,  
5 and in some cases, you could have a minority-owned firm  
6 that gets itself certified as a DBE rather than as a  
7 minority-owned firm or just as a small business. So,  
8 you know, we know of cases, for instance, where we know  
9 the ownership of the company may be African-American,  
10 for instance, but they certified themselves just as a  
11 small business. That doesn't show up in the track. And  
12 so their -- our ability to get down to grade minorities  
13 is limited by the information coming into us.

14 MS. PEREZ-ESTOLANO: And actually, that's  
15 the reason why I wanted to clarify because as a small  
16 business ourselves that's a DBE, you basically  
17 self-disclose that you are a certain group, and it's  
18 not, if I recall, required in the certification process,  
19 but it may be required in some of these documents that  
20 we need for the FRA, and I'm just interested to see  
21 those forms to understand if we actually drill down even  
22 further, because I'm impressed with our numbers. I'm  
23 glad that we have the update. And I also want to  
24 know -- you know, I want to know more information so  
25 that we can kind of better understand the picture that

1 we're painting and to really know who they are to know  
2 who those businesses are.

3           So -- and as my colleagues said, Mr. Richard, the  
4 information is being provided to us on a quarterly  
5 basis. Is that how it is in terms of -- for the period  
6 -- I know that there was this chunk of time provided,  
7 but then there was another chunk of time. Do you  
8 calculate the information on a quarterly basis, or do  
9 you get it monthly? I just want to understand how we  
10 receive the information about these particular  
11 contracts.

12           MR. PADILLA: Well, we have been doing it on  
13 an ad hoc group. With the Federal Government, we do  
14 that semiannually. That's what I was going to talk  
15 about next. That's twice a year on the Federal fiscal  
16 year to FRA. We composite some data on ad hoc. We have  
17 responded to the business advisory group, but as we  
18 start moving forward on CP-1, we hope to be doing that  
19 work.

20           MS. PEREZ-ESTOLANO: And I apologize. Are  
21 you done with your presentation?

22           MR. PADILLA: No.

23           MS. PEREZ-ESTOLANO: You have some more.  
24 Okay. Well, then I'll just --

25           MR. PADILLA: And I want to move through it.



1           The uniform report that was mentioned earlier,  
2   and it -- really it's on the Federal fiscal year. So  
3   when we talk about October 1 through March 30th is  
4   reported June 1st, and then April 1st to September 30th  
5   is reported September 1st. And so we have had those  
6   reports, a lot of zeros, a lot of space. We just  
7   haven't had a lot of activity particularly on the  
8   construction design side. We have -- those are signed  
9   by our CEO and sent to FRA, and our intent, really, is  
10   to put those on our website so whoever has any interest  
11   that they're accessible, and we'll be doing that very,  
12   very quickly.

13           For December 1st, we reported a 27.3 percent  
14   small business participation that includes small  
15   business, disabled veteran, and DBE. So that's where we  
16   kind of -- the message I want to kind of talk about. We  
17   are meeting those goals. Now we have to step back and  
18   qualify some of that data, because you know that people  
19   are interested in knowing what that is and we will.

20           We're -- very, very quickly, some of the things  
21   we did this year to obtain some of this participation,  
22   you know, we hosted 14 small business certification  
23   workshops statewide. We were in just about every  
24   district throughout the state, north and south. We  
25   entered into, again, to leverage our limited resources,

1 we entered into several memorandums of understanding.  
2 These are strategic agreements, first, in April, with  
3 the United States Small Business Administration. They  
4 administer the AA program, one of the certifications  
5 that we recognize. In May, we entered into one with the  
6 United States Small Business -- excuse me -- to the  
7 United States Minority Business Development Agency,  
8 which is part of the Department of Commerce. Again,  
9 they established in Fresno and work very closely with  
10 getting that information out. In the next three months,  
11 June, July, and August, we entered into the Economic  
12 Development Corps in Fresno, Valley Small Business  
13 Development in Fresno with the small business lending,  
14 and most recently with the Women's Construction Owners  
15 and Executives, which is a national group. Many of you,  
16 and I want to publically thank you for your  
17 participation last month, were present in our signing  
18 with the California Department of Veterans Affairs.  
19 That, that was very important, I think, for us as an  
20 Authority but also in our efforts to reach out to  
21 veterans in both the workforce and small business  
22 procurement side.

23 Finally, a couple of things, the Authority, last  
24 month, was recognized by the Department of General  
25 Services in the State Agency Recognition Award for

1 innovation in taking out these small business  
2 certification workshops. We've also been recognized  
3 through the elite services. Tom, you know this through  
4 the disabled -- or service disabled veteran owned  
5 business network, 2013 National Service Disabled Veteran  
6 Owned Business Best Practices Award.

7           So finally, I will address one other thing. On  
8 the disparities study, we are in the process of  
9 completing that. That was awarded to a subcontractor,  
10 Mason Tomas and Associates. The report is a  
11 collection -- it's a depiction of where we have awarded  
12 our contracts in our biggest challenge. This contract,  
13 like many others, is not without challenge. Just really  
14 that collection, that management and it's going out and  
15 getting as much information as we can. We're focusing  
16 the study on the business market availability.  
17 California is our marketplace. We're looking to go out  
18 and get the ready, willing, and able for our project,  
19 and we are moving as quickly as we can to get that  
20 completed.

21           If you have any questions.

22           CHAIRMAN RICHARD: Questions?

23           Ms. Perez-Estolano.

24           MS. PEREZ-ESTOLANO: Thank you, Chair.

25           I just have one additional question, Robert. In

1 terms of some of the workshops, you know, it's a very  
2 robust effort with 14 workshops. When people walk in,  
3 can you just kind of paint for me what happens when a  
4 small business person comes in, and can you just share  
5 with me very quickly, for those of us who haven't had an  
6 opportunity to attend a workshop, what happens there?

7 MR. PADILLA: Well, when we first notice the  
8 workshop coming, again, we have been to Visalia, Fresno  
9 a couple of times, Oakland. We have been to USC campus  
10 when we were in Los Angeles. So we have been throughout  
11 the state. We notice it in advance, and the flyer,  
12 itself, will tell that attendee, or potential attendee,  
13 the types of documents that they need to bring with  
14 them. We invite them to a room, a commuter lab. We ask  
15 them to sit at a computer. We log them into the DJS  
16 website. We take them step by step by step with an  
17 overhead. We have, anywhere, from three to five to,  
18 maybe, six people in the room itself. They raise their  
19 hands, somebody helps them. The class stops. Get  
20 everybody going, moving forward. And by the time  
21 they're done, within an hour, maybe an hour and a half,  
22 they're certified on the spot.

23 MS. PEREZ-ESTOLANO: Okay. Thank you.

24 CHAIRMAN RICHARD: Mr. Morales.

25 MR. MORALES: Just one closing comment. I

1 think just going back to the graph, two important  
2 messages that, one, we are achieving a 30 percent  
3 participation. Again, the front end is very pleased  
4 about that. Another thing I think is important to know  
5 is that we have made it very clear to the bidding  
6 community how serious the Authority is about this, and  
7 they're responding. What you're not seeing here is what  
8 you would see in others circumstances when they have  
9 fallen short of the goal and then good faith efforts.  
10 Every bid has come in, every contract is awarded so as  
11 to get the Board's goal, and that's very positive.

12 CHAIRMAN RICHARD: I just want to comment  
13 and say that I want to recognize your efforts, Jeff, as  
14 the CEO, of making this happen along with Robert  
15 Padilla, Olivia Fonseca, and the entire team here.  
16 Leadership makes a huge difference in these things.  
17 There's a -- San Francisco recently -- a central subway  
18 project. There was a bunch of talk of good faith  
19 efforts, and they ended up with, like, a one percent  
20 participation rate, DBEs, and I think, Diana, if I'm  
21 correct, it's pretty miserable for a town like San  
22 Francisco, which is highly motivated to achieve these  
23 public policy objectives. So going back to what my  
24 colleagues said, there's talk, there's words like  
25 "commitment," and then there's action. And I understand

1 we're at the front end of this and that I understand  
2 what Robert Padilla said about constant monitoring, but  
3 the difference between these things happening and not  
4 happening is leadership and execution.

5           So, you know, I feel very good that my colleagues  
6 and I have set these goals but just saying that you have  
7 set these goals -- if they're not being met -- becomes  
8 meaningless. So it really comes down to the CEO, his  
9 team, and you deserve a lot of accolades for this so  
10 far, and we certainly appreciate the clarity for the  
11 amount of work, and, obviously, this Board will continue  
12 to maintain interest and oversight to make sure that  
13 we're actually achieving these goals. Thank you.

14           MR. MORALES: At the risk of stepping on  
15 accolades, thank you, but I really do want to give the  
16 credit to the whole team, because this is almost --  
17 literally, everyone in the organization is involved in  
18 some way shape or form with this, from the team, small  
19 business team, to the contractors group, to the  
20 engineering staff, design scope, and so it is a combined  
21 effort. We're very proud of it. Thank you, Chair.

22           CHAIRMAN RICHARD: Very good. Thank you  
23 Mr. Padilla.

24           MR. PADILLA: Thank you.

25           CHAIRMAN RICHARD: Okay. Our next item is

1 Item 4, the Authority Staffing Update. Wendy Boykins.

2 Good morning.

3 MS. BOYKINS: Good morning. Hi, I'm Wendy  
4 Boykins, and I'm the chief administrative officer for  
5 the Authority --

6 CHAIRMAN RICHARD: Ms. Boykins, what I have  
7 noticed is, this morning, that the microphones seem to  
8 be kind of weak. So if you could actually --

9 MS. BOYKINS: Speak louder? Okay.

10 Again, I'm Wendy Boykins, and I'm here to go over  
11 the Authority staffing report just to give you an update  
12 of where we stand today. The staff update report has  
13 outlined the Authority's rapid growth over the last year  
14 as well as -- outline of the Authority's effort to  
15 develop a diverse and unique expertise group of  
16 individuals to manage the project. Under provisions of  
17 Senate Bill 1029, Chapter 152, Statute 2012, the  
18 Authority must report to the legislature on staff  
19 organizational structure. Pursuant to this statute, the  
20 Authority submitted a staff management report to the  
21 legislature in October of 2012. The Authority is  
22 currently in the process of updating this report in  
23 advance and issuing the request for proposal for design  
24 build services on construction packages 2 and 3.

25 The legislature and administration have

1 authorized 175 civil service positions at the Authority.  
2 Of -- 94 of those positions now are currently filled,  
3 and 81 are vacant. The Authority has made significant  
4 advances over the last year to increase in staffing and  
5 expertise necessary to make timely, informed decisions  
6 that will advance the program.

7 The early focus of these hiring efforts has been  
8 in the areas of decisions that will advance the program.  
9 The early focus of the hiring efforts has been in the  
10 areas of financial management and project delivery.  
11 However, the Authority leans -- the authority's lean  
12 flexible organizational model will allow for skill down  
13 in certain areas and ramp up in areas in others as the  
14 project progresses and needs change. Excuse me. In  
15 addition to bulking up the Authority, the overall staff  
16 levels of the organization, there have been several key  
17 hires to the Authority executive management team. We  
18 are pleased to report that all the executive positions  
19 have currently been filled, and aside from the Chief  
20 Executive Officer, those positions are the Chief Deputy,  
21 Chief Counsel, the Chief Program Manager, Chief  
22 Administrative Officer, Chief Financial Office, Risk  
23 Manager, Chief External Affairs, the Chief of Northern,  
24 Central, and Southern California Regional Director  
25 positions. The executive management team is composed of



1 seven men and four women. In addition to gender  
2 diversity, the executive management team will also  
3 represent the ethnic diversity of California to a  
4 certain extent.

5 Government Code 19790 requires each State agency  
6 and department to have effective equal employment  
7 opportunity program. Equal employment opportunity means  
8 all applicants, employees, clients, and customers  
9 without regard to race, sex, color, religion, national  
10 or ethnic origin will be provided equal access to jobs,  
11 work assignments, training, and other employment related  
12 opportunities for all qualified job applicants and  
13 employees. The Authority embraces equal opportunity as  
14 reflected in our equal opportunity policy, which is  
15 polity HR 14 signed by the Chief Executive Officer, Jeff  
16 Morales, and issued to all employees on July 31, 2012.  
17 The Authority's equal opportunity officer is myself in  
18 addition to the Chief Administrative officer. I wear  
19 dual hats, which is not uncommon in most organizations.  
20 The Authority's civil service workforce is also  
21 representative of the diversity of California in other  
22 ways. The current gender breakdown of the Authority  
23 staff is 43.7 percent female and 56.3 percent male. The  
24 ethnic breakdown of the civil service workforce is as  
25 follows: 12.6 percent Asian, 4.9 percent Filipino, 1.9

1 percent Pacific Islander, 11.7 percent African-American,  
2 11.7 percent Hispanic, and 52.4 Caucasian, and we have  
3 4.8, which are undeclared. The Authority is currently  
4 recruiting to fill the 81 vacant State civil service  
5 positions, and the classifications include executive  
6 management, which is like the next level down from the  
7 senior management team, engineering, middle management  
8 and rank and file staff. The Authority's recruitment  
9 efforts to reach a wide and diverse group, we're using  
10 the State system, which is the California Human Resource  
11 Job Ward, which is known as V-POS, which is for Vacant  
12 Positions. Internal notification sent to all staff to  
13 advise them of potential promotional opportunities.  
14 Magazines such as Railway Magazine or various  
15 transportation magazines to get the word out that there  
16 are open positions, and we also use flyers and  
17 distributions that are given out during outreach events.  
18 This staff has necessitated the procurement of expanded  
19 office space, which the Authority has worked with the  
20 help of the Department of General Services. So  
21 currently, we're expanding in our current location to  
22 three separate floors to accommodate the additional  
23 staff coming on board.

24 Government partner support. The staffing and  
25 organizational structure is further mitigated through

1 the engagement of supplemental government and resource  
2 partners such as the assistance from Caltrans,  
3 Department of Transportation, the Department of General  
4 Services, the Department of Finance, the California  
5 Technology Agency, and the Department of Human  
6 Resources, Department of Justice, and other regional  
7 governments that have assisted us in filling some of our  
8 positions, making sure that we have the necessary exams  
9 so we can hire additional staff through that process as  
10 well.

11 CHAIRMAN RICHARD: Okay. Questions for  
12 Ms. Boykins.

13 Ms. Perez-Estolano.

14 MS. PEREZ-ESTOLANO: Thank you, Chair.

15 I just have a quick question, Wendy. How long  
16 does it take, generally, to hire somebody in our -- for  
17 our Authority, for the agency? Just anybody, I'm not  
18 saying, you know, executive level, just as a ballpark.

19 MS. BOYKINS: As a ballpark, it will take  
20 six to eight weeks.

21 MS. PEREZ-ESTOLANO: Six to eight weeks to  
22 bring somebody on staff.

23 MS. BOYKINS: Right.

24 MS. PEREZ-ESTOLANO: And we have about 82  
25 positions we're trying --

1 MS. BOYKINS: We have 81 that we're seeking  
2 to fill.

3 MS. PEREZ-ESTOLANO: So we have a lot of --  
4 a lot of work to do from an applicant pool that we're  
5 hoping to, you know, attract talent from across the  
6 state; is that right?

7 MS. BOYKINS: Correct. And as a new  
8 organization, we are crafting these duty statements, so  
9 that takes times as well to get the right level of  
10 expertise needed for the position.

11 MR. MORALES: Just to clarify, the six to  
12 eight weeks is once we're actively in the process of  
13 actually advertising and starting to interview. One of  
14 the issues with the rapid growth in the organization  
15 here is there aren't existing positions. Virtually  
16 every one of these positions has to be -- go through a  
17 process of them actually being created so it can be  
18 advertised fairly and everything else. So it can be a  
19 fairly lengthy front end process and we're working  
20 with -- to try to streamline the process as quickly as  
21 we can. I believe, Wendy, correct me if I'm wrong --  
22 let me say first, you know, we have gone from about 27  
23 people, I believe, Chairman.

24 CHAIRMAN RICHARD: I was about to comment.

25 MR. MORALES: And that's really -- Wendy did

1 a tremendous job because not only did -- among the staff  
2 we didn't have were the HR staff to bring on more staff.  
3 So this has really been a building the bike at the same  
4 time we're riding it sort of exercise but of the 81  
5 positions, I believe every one -- virtually all of  
6 them -- are now, you know, they're in the process of  
7 either being job description created and advertised  
8 and/or being filled, and so the projection is by the end  
9 of the fiscal year, we will have all these positions  
10 filled.

11 MS. PEREZ-ESTOLANO: Okay.

12 MS. BOYKINS: Correct.

13 CHAIRMAN RICHARD: Ms. Schenk.

14 MS. SCHENK: This is more of a comment for  
15 Jeff than it is a question. When I came on, there were,  
16 I think, three, one full-time and two part-time. So  
17 thank goodness we're at the place that we're at now, but  
18 after, you know, 35 years of being in and out of  
19 government bureaucracy, now is the time -- and again,  
20 this is just a comment -- to make sure that not only are  
21 we filling the spots with the right people and the right  
22 structure but that we also have a clear -- that the  
23 people coming on have a clear understanding of their  
24 role on how we report. Jeff, you know, you and I come  
25 out of Caltrans mode where, for example, over the

1 decades, you have regional directors who felt that they  
2 were the Caltrans director and that they didn't report  
3 to anybody but maybe the Governor, you know, that this  
4 mentality sets in, the farther away you get, the more  
5 you become your own little piece of it. And so as we  
6 bring on regional directors and regional communications  
7 people and all that, there has to be a continuing  
8 education process of, you know, where policy is set and  
9 then who carries it out. And, you know, it may seem  
10 like this is stating the obvious, but I will tell you  
11 that once people get into their roles and they get  
12 comfortable in their roles, all of a sudden, they feel  
13 like they're in charge. And messages -- they don't --  
14 people don't stay on message. Things get  
15 misinterpreted. Promises are made or thought to be  
16 made. So it's very important that, as we bring on new  
17 people, that we keep in the forefront of the train, how  
18 we -- how we operate.

19 CHAIRMAN RICHARD: Thank you.

20 MS. BOYKINS: Very good.

21 CHAIRMAN RICHARD: Mr. Umberg.

22 MR. UMBERG: Thank you, Wendy, for your  
23 stalwart efforts. I recall, again, when the Board was  
24 larger than the staff.

25 A couple things, one is I understand that the

1 money has been both appropriated and budgeted for the 81  
2 vacant positions; is that right?

3 MS. BOYKINS: Correct.

4 MR. UMBERG: So at the end of the fiscal  
5 year when the positions are filled, what happens to that  
6 money?

7 MS. BOYKINS: What happens to the money at  
8 the end of the fiscal year?

9 MR. UMBERG: Right.

10 MS. BOYKINS: Well, it depends because some  
11 of the positions, we may have to re-class to a higher  
12 level, so that money may be absorbed. But we would use  
13 some positions for salary savings at the end.

14 MR. UMBERG: Use some of it for what? I'm  
15 sorry. I didn't understand the last part.

16 MS. BOYKINS: Salary savings.

17 CHAIRMAN RICHARD: Salary savings.

18 MR. UMBERG: Salary savings. Okay. So what  
19 happens to salary savings? Where does that go?

20 MS. BOYKINS: Where does that go?

21 MR. UMBERG: Uh-huh.

22 MR. MORALES: Mr. Umberg, if I could, when  
23 the budget gets put together and so, of course, it's  
24 when we were authorized -- let's use round numbers -- a  
25 hundred, you know, new staff, we work with Department of

1 Finance then to look at what we think the reasonable  
2 schedule for actually bringing those people on board  
3 would be because not everyone can come on day one. In  
4 fact, we can't start the process of advertising for  
5 those positions until the budget was enacted. So, you  
6 know, by -- we're clearly -- we're going to have a  
7 difference. Not everyone will be on board -- so bottom  
8 line is the full amount of a year-long salary is not  
9 budgeted for all of those positions, and based on the  
10 sense of people would come on over the course of the  
11 year and then it gets -- the full amount gets rolled  
12 into the next year budgeted into the baseline because  
13 now everyone would be on board.

14 MR. UMBERG: Okay. So if I understand  
15 correctly -- so for each position that comes on, then  
16 the money spit gets turned on for that position; is that  
17 correct?

18 MR. MORALES: Correct.

19 MR. UMBERG: All right. So, in essence,  
20 there's no actually money left in our account if the  
21 positions are filled. Is that --

22 MR. MORALES: If everything is filled, based  
23 on the projections, they should align.

24 MR. UMBERG: Okay. But if they're not  
25 filled, the money doesn't exist in our accounts; is that



1 accurate?

2 MS. BOYKINS: No. If they're not -- if the  
3 positions are not filled, it's like I said, salary  
4 savings or if we have to reclassify a certain position  
5 to a higher level to, like, executive assistant.

6 MR. UMBERG: Uh-huh.

7 MS. BOYKINS: Then that -- part of that  
8 position would be absorbed into that position. Part of  
9 the money set aside would be absorbed into that  
10 position.

11 MS. BOYKINS: Right. Okay.

12 MR. MORALES: You may want to have our --  
13 one of our new executives, our CFO come in on that  
14 because I think this is really important, the macro  
15 budgeting issue.

16 MR. UMBERG: Right. I'll follow up, so  
17 that's fine. Okay. Thanks.

18 CHAIRMAN RICHARD: Mr. Frank.

19 MR. FRANK: Question and a comment. My  
20 question follows up on Tom's inquiry. Of the vacant  
21 positions that we have, if they're not filled within a  
22 time certain, is there a danger that those positions  
23 might be eliminated, for instance, Department of  
24 Finance?

25 MS. BOYKINS: Yes.

1                   MR. MORALES: Yeah, and as well, the  
2 legislature certainly looks at that, and if there are  
3 unfilled positions, if there's not a good reason for  
4 them being unfilled, they can be taken back.

5                   MR. FRANK: Thank you. And my comment is,  
6 as a former City employee, my bias, if you will, is  
7 that -- although, I recognized that we need both  
8 employees and consultants and the Authority relies on  
9 both -- that when in doubt, my preference, as a matter  
10 of policy, is to rely on State employees to the extent  
11 those need to be limited term position given the nature  
12 of the work and the funding source, so be it, but I just  
13 wanted to make that comment as my policy and position on  
14 these very difficult issues.

15                  CHAIRMAN RICHARD: Actually, I had wanted to  
16 comment on this, and that's a great segue, and before I  
17 do, I just want to say that over the last two years that  
18 I have been involved here, a lot of times, I have come  
19 back to the office late after meetings at the Capitol or  
20 whatever, and there have been a number of days where,  
21 literally, the last staff person working was Wendy  
22 Boykins. And so she's been very dedicated, and this  
23 effort to staff up this organization, which has fallen  
24 under her purview, is an enormous effort.

25                  So I just want to thank you for your great work,

1 and literally, I have said, "Wendy, I think you need to  
2 go home." So she works very, very hard, and she's been  
3 very good.

4 But this goes back to, again -- and I don't want  
5 to get overly gushy talking about Jeff -- but when Jeff  
6 Morales took over this organization as the CEO, we did  
7 not have a CFO. We did not have a Chief Program  
8 Officer. We did not have a Chief Risk Officer. We did  
9 not have any of the three regional leaders that Ms.  
10 Boykins talked about. The organization, basically, was  
11 operating at about half of the authorized level from the  
12 California legislature, and, in fact, it operated at  
13 that level for two years, and while Mr. Frank is right,  
14 the legislature could have taken back those positions,  
15 what we heard instead -- what I heard instead -- was  
16 grave concern about why the Authority was not moving  
17 more quickly to fill the positions the legislature had  
18 authorized for the Authority. Jeff came in with his  
19 team and that situation has been completely turned  
20 around, and, you know, it's probably just a good moment,  
21 not to go off too much here, but especially, in light of  
22 a lot of the recent commentary over the last couple of  
23 years, what we have seen from this Board is, I think, a  
24 very clear sense of a new business plan envisioned for  
25 how high-speed rail can be built in California, and I

1 think that that is a successful vision, not one that was  
2 at issue in the court cases, but we have a clear vision  
3 of how we're going to do this. We have strong  
4 partnerships that we have built with other transit  
5 districts to really make an integrated rail network in  
6 California. When we adopted that business plan, when  
7 the legislature appropriated the funds, the bond funds  
8 and the Federal dollars, I remember commenting at the  
9 time, that while we had a clear plan and while we had  
10 clear partnerships in place, the thing that I was most  
11 concerned about was whether or not we had an  
12 organization to actually deliver a project of this  
13 magnitude, and, frankly, there was no question at that  
14 point that we did not. We did not have an organization  
15 that was in a position to spend \$6 billion in public  
16 funds and to do it in a way to really protect the fiscal  
17 integrity of the project, and I think that now we do.  
18 Yes, we still have some of these positions that still  
19 have to be filled, but we have got not just names but  
20 really high caliber people, and I will tell you that  
21 when we were going through the process of selecting our  
22 CEO and we did some background interviews, one of the  
23 things that was said of Jeff by his former employers is  
24 that he is extraordinarily talented in finding good  
25 people, and I think we have seen that here at the

1 High-Speed Rail Authority.

2           So we now have, in my view, a plan, a set of  
3 partnerships, and an organization that can work, and  
4 whatever our current destitutes are, which we will get  
5 past, we are moving into the construction phrase of  
6 high-speed rail with a team that can actually deliver  
7 this project. So, you know, kudos, again, to our CEO.  
8 I think the Board has been behind this effort all the  
9 way, but staff has had to execute it, and I feel that  
10 the people that we have brought in are really going to  
11 get us to the point of getting high-speed rail in  
12 California. So I -- you know, I just thought that with  
13 the presentation that Wendy Boykins made, really gives  
14 us a very stark sense of how far we have come in a very  
15 short time.

16           So with that, thank you for giving me a moment to  
17 reflect on that.

18           Ms. Boykins, do you have anything else?

19           MS. BOYKINS: No.

20           CHAIRMAN RICHARD: Well, thank you very much  
21 for that presentation, and thanks for your hard work.

22           MS. BOYKINS: Thank you.

23           CHAIRMAN RICHARD: Our next item is Item 5,  
24 Approval to Issue a Request for Qualification, RFQ, for  
25 Right-of-Way Engineering and Survey Services.

1                   MR. MORALES: Mr. Chairman, let me just --  
2   there was a question raised about this in public comment  
3   and I wanted to address it. I'm turning it over to  
4   staff. This is a re-procurement of a previously  
5   authorized contract, set of contracts. I will say,  
6   having been on both sides of the equation, I do not take  
7   procurements lightly by any means. I understand what it  
8   means to be on the other side, but there is provision in  
9   all procurements that if it's determined to be in the  
10  best interest of the State, we can do that, and we  
11  believe there are clear efficiencies by doing this. One  
12  of the things about this is because it is an RFQ, as  
13  opposed to an RFP, certainly any firm -- we expect we  
14  may see new firms -- all of the firms that submitted  
15  previously are welcomed and encouraged to apply again.  
16  They may want to reform teams, but much of the effort  
17  they went to in preparing the qualifications, the  
18  qualifications are essentially the same here. So while  
19  I don't want to dismiss the inconvenience of a -- to do  
20  the re-procurement to those bidding, we're working to  
21  minimize the impact of that, and again, I think getting  
22  greater efficiency for the State.

23                   CHAIRMAN RICHARD: I'm sorry. Vice-Chair  
24  Hartnett.

25                   MR. HARTNETT: Yeah. Thank you, Chair.

1 Appreciate the explanation from the CEO. You know, we  
2 have been through this process before in terms of having  
3 to explain to us what Request for Qualifications means.  
4 I'm less interested in a restatement from, with all due  
5 respect to the presenter preparation for making the  
6 report, but really just a -- I'd just like a brief  
7 explanation as specifically what are we going to  
8 accomplish by this and what's the next steps after this  
9 request for qualifications is going to be issued and  
10 that we have enough background information for previous  
11 reports and from having done this before, but I also  
12 think it was a little bit better to have a little more  
13 explanation report about this re-issuance and the reason  
14 for that.

15 CHAIRMAN RICHARD: Mr. Morales, Do you want  
16 to go with that or Mr. Jarvis?

17 MR. MORALES: Just very quickly, this is an  
18 RQ because under Federal Act, certain statutes, certain  
19 types of services, professional services, have to be  
20 procured through a qualification basis as opposed to a  
21 low-price basis. Scott can talk specifically to the  
22 services on this but this really -- what's happening  
23 over this and what this is part of is really providing  
24 much of the baseline information needed then to move  
25 onto the design build contracts to develop the data and

1 the information and ultimately be provided to those --  
2 to those contractors and to firms going forward. But  
3 Scott just real quickly --

4 MR. HARTNETT: Well, you just summarized  
5 what I was interested in. Thank you.

6 CHAIRMAN RICHARD: What's the pleasure of  
7 the Board? Do people feel that they need a presentation  
8 on this or should we --

9 MR. RICHARDS: I don't think so, Mr. Chair.

10 CHAIRMAN RICHARD: All right.

11 Mr. Jarvis, you're off the hook on that.

12 MR. JARVIS: Okay. I won't argue with that.

13 CHAIRMAN RICHARD: Pleasure of the Board.

14 MR. RICHARDS: I make a motion for approval  
15 as presented to Mr. Chairman.

16 CHAIRMAN RICHARD: All right. Moved by  
17 Vice-Chair Richards. Second by Director Schenk.

18 Please call the roll.

19 MS. NEIBEL: Vice-Chair Richards.

20 MR. RICHARDS: Yes.

21 MS. NEIBEL: Vice-Chair Hartnett.

22 MR. HARTNETT: Yes.

23 MS. NEIBEL: Ms. Schenk.

24 MS. SCHENK: Yes.

25 MS. NEIBEL: Mr. Umberg.



1 MR. UMBERG: Yes.

2 MS. NEIBEL: Ms. Perez-Estolano.

3 Mr. Frank.

4 MR. FRANK: Yes.

5 MS. NEIBEL: Chairman Richard.

6 CHAIRMAN RICHARD: Yes.

7 Okay. The next item, I think, Mr. Jarvis, you  
8 have that as well, Approval to Issue a Request for  
9 Qualifications for Construction Packages 2 and 3 for  
10 Project Construction Management Services.

11 MR. JARVIS: Yes, this is a new procurement  
12 so good morning, Chairman Richard and the Board. My  
13 name is Scott Jarvis. I'm an assistant project manager  
14 for the Authority. So with this item, the staff seeks  
15 the Board approval for the issuance of a request for  
16 qualifications, RFQ, to procure a contract for project  
17 and construction management, we refer to it as PCM,  
18 services, for the construction package 2-3, CP 2-3. And  
19 this RFQ, it included the Board's 30 percent small  
20 business participation goal.

21 So on October 9th, 2013, the Authority issued an  
22 RFQ to procure design build construction services for CP  
23 2-3. Proceeding with the procurement of a PCM  
24 consultant for CP 2-3 is now necessary. So the PCM  
25 contract will be awarded to the most qualified offerer

1 at fair and reasonable compensation with an estimated  
2 range of \$45 to \$65 million. The term of the contract  
3 will extent one year past substantial completion of the  
4 CP 2-3 design build contract. The costs associated with  
5 the contract are accounted for in the cost estimates  
6 included in the Authority's 2012 business plan. The  
7 services the PCM team may be called upon include project  
8 management and contract administration, oversight of the  
9 quality program, safety and security, project controls  
10 and risk management, engineering, construction,  
11 environmental compliance, and third parties, public  
12 outreach, and specialty support services. And as Jeff  
13 mentioned, with the previous contract, procurement of  
14 the PCM services will be qualifications based.

15 So by starting the PCM procurement, now the CP  
16 2-3 PCM will be under contract and a valuable resource  
17 for the Authority during the final stages of the  
18 procurement of the design build contractor for CP 2-3.  
19 So staff recommends that the Board adopt a resolution  
20 approving issuance of a request for qualifications to  
21 procure project and construction management services for  
22 construction package 2-3 with a contract compensation  
23 range of \$45 to \$65 million and, in turn, extending one  
24 year past substantial completion of the construction  
25 package.

1           So thank you, and I can take any questions that  
2   you may have.

3           CHAIRMAN RICHARD: Questions from members of  
4   the Board?

5           Yes, Mr. Umberg.

6           MR. UMBERG: Quick question, Mr. Jarvis.  
7   Would the bidder's review be required to prepare and  
8   submit performance bond, bid bond, and then would the  
9   ultimate awardee be required to submit upon the  
10   performance bond; what would be the amount of that  
11   performance bond?

12          MR. JARVIS: Let me rely on -- no bond? No  
13   bond required. Unlike, you know, the design build  
14   contract, we have professional services contract.

15          MR. FELLEENZ: Board Member Umberg, yes, this  
16   is professional services, engineering services,  
17   architectural, and so there isn't a bid bond required  
18   for this type of work.

19          MR. UMBERG: There is not?

20          MR. FELLEENZ: There is not.

21          MR. UMBERG: And is there a performance  
22   bond?

23          MR. FELLEENZ: No, there is not. This is --  
24   it's a -- you pay by the hour as the work is progressed.  
25   It's not a lump sum bid, and so what's negotiated is the

1 scope of work, the hourly rate, who will do the work,  
2 you know, the professional background and capability of  
3 those that perform the work under the contract and  
4 that's how these are set up as all architectural,  
5 engineering contracts are. So it's not a based on a  
6 lump sum bid. So when we get to a dollar amount after  
7 the negotiations, it will be -- it will be a "not to  
8 exceed" and that's an estimate to the best of both  
9 parties ability that all this scope of work can be  
10 completed within that budget.

11 MR. UMBERG: If there's a deficiency, we're  
12 left to just look at the absence of this entity?

13 MR. FELLEENZ: Well, we pay as we go. It's  
14 professional services, so there isn't a construction  
15 project. It's oversight of construction project, and  
16 it's to make sure that they put the appropriate  
17 materials within the construction, they document, test  
18 the materials, they make sure it's placed as it's  
19 required in the contract for those sort of oversight  
20 functions.

21 MR. MORALES: And just to clarify, the  
22 design build contract, construction package 2-3, which  
23 is this, is not -- does include both the performance and  
24 proposal budget --

25 MR. UMBERG: And the bid bond.

1 MR. MORALES: And the bid bond.

2 MR. UMBERG: And the question that I have,  
3 and maybe I'm missing something, but if there's a  
4 deficiency --

5 MR. FELLEENZ: We would re-procure and get a  
6 new company on board. That's how you would cure this.  
7 So there's still -- we would just terminate the  
8 contract. There would be a termination clause. So if  
9 they didn't perform up to standard, we would terminate.

10 MR. UMBERG: No. I get that. I get that it  
11 can be terminated. The question would be, if there's  
12 some sort of deficiency in construction, right, there  
13 are a number of entities that you might look to I  
14 suppose. What we're saying here in policy decision that  
15 this is not an entity that we might potentially look to  
16 or --

17 MR. FELLEENZ: They have insurance, and so if  
18 they didn't perform up to the professional standards, we  
19 could claim against them and they could hand it over to  
20 their --

21 MR. UMBERG: And they provide proof of E and  
22 O insurance?

23 MR. FELLEENZ: Oh, yes.

24 MR. JARVIS: Yes, they have to be insured,  
25 correct.

1                   MR. UMBERG: To cover whatever the amount  
2 might be in terms of potential exposure.

3                   MR. FELLEENZ: Yes.

4                   MR. UMBERG: Okay.

5                   CHAIRMAN RICHARD: Vice-Chair Richards.

6                   MR. RICHARDS: I think that you worked your  
7 way through it, but I was simply going to indicate that  
8 this position is, is purely critical to any organization  
9 getting ready to engage in construction. The PCM is  
10 really our hands, feet, ears, mouth piece on the ground,  
11 our expertise that we need to ensure that the jobs that  
12 are being done both during design and construction by  
13 the design build team we choose. This is our direct  
14 go--between. It's the person who is really monitoring  
15 what's going on with the people that we have contracted  
16 with to actually build, design on the project. So it's  
17 critical. It's critical now at a point in advance of  
18 making those other decisions, and it is typically the  
19 organization that we really look to, to give us the  
20 direct advice and response as to what's going on in the  
21 project. So it's -- I think it's appropriate, and  
22 typically, they're covered with E and O insurance and  
23 other forms of liability insurance. I don't know what  
24 you're putting into this contract quite clearly. I have  
25 never seen one that comes anywhere close to providing

1 the amount of insurance that equals the exposure.  
2 That's just simply not available or certainly not  
3 offered generally because their attorneys are very good  
4 negotiators for them. But the ability to generate the  
5 kinds of E and O coverage that you would normally expect  
6 when you're thinking of it from the outside because  
7 you're thinking of construction, but really, it's  
8 managing construction, construction risk, on our behalf.

9 CHAIRMAN RICHARD: And I was just going to  
10 add to that, that the other function here that I think  
11 is critical is the section, services quality control,  
12 quality assurance. We had quite a bit of dialog a  
13 couple of years ago about who should perform that work  
14 and how it should be done, and it's typically an  
15 intricate matter when you're dealing with a design build  
16 contractor, and so the PCM is a critical piece in making  
17 sure that both the self-certification and it has  
18 oversight and accountability as well as providing those  
19 eyes and ears.

20 I just had one question, Mr. Jarvis, which was  
21 that I -- because I was looking through Appendix A,  
22 which was the scope of work, and I sort of understand  
23 everything that's there except for the public outreach.  
24 Obviously, we want to see a lot public outreach. We  
25 have got a lot of communications challenges, but I was a

1 little surprised to see some of that logic with the PCM.  
2 Can you just walk me through what the thinking is there  
3 or Mr. Morales.

4 MR. MORALES: Again, it's all -- public  
5 outreach is at the direction of the Authority staff and  
6 the Authority -- what we're -- the resources here are  
7 really resources to actually conduct public outreach.

8 CHAIRMAN RICHARD: Okay. So if you decide  
9 you need to have a community meeting or something, you  
10 have got lodged in the PCM resources to effectuate that?

11 MR. MORALES: Correct, which could be  
12 anything from production of awards for display to  
13 securing the facility to -- you know, its mechanics.

14 CHAIRMAN RICHARD: Because I didn't see any  
15 sort of standalone, goal-based outreach issues, so that  
16 makes more sense.

17 MR. MORALES: We have public outreach  
18 components in both these contracts in the PCM and in the  
19 design build contract, for instance, but all of that is  
20 about executing direction that we're providing in order  
21 to carryout this undertaking.

22 CHAIRMAN RICHARD: Okay. That makes sense.

23 Mr. Umberg, do you have another question?

24 MR. UMBERG: Just a follow on to Mr.  
25 Richards. Their function, I think, is critical. My



1     guess is this is a service oriented business, so  
2     therefore, we're capitalizing this at a much lower rate  
3     than, for example, a construction company would be and  
4     just that the caveat in order to protect the taxpayers  
5     should, God forbid, something not go as planned or  
6     envisioned, that there's adequate, or at least as much  
7     as we possibly can provide, adequate resources to be  
8     able to make sure the taxpayers are protected.

9                     MR. FELLEENZ:   Okay.

10                    CHAIRMAN RICHARD:   Okay.   Pleasure of the  
11     Board?

12                    MR. RICHARDS:   I'll move for approval,  
13     Mr. Chair.

14                    CHAIRMAN RICHARD:   All right.   It's been  
15     moved by Vice-Chair Richards.   Seconded by Director  
16     Umberg.

17                    Please call the roll.

18                    MS. NEIBEL:   Vice-chair Richards.

19                    MR. RICHARDS:   Yes.

20                    MS. NEIBEL:   Vice-Chair Hartnett.

21                    MR. HARTNETT:   Yes.

22                    MS. NEIBEL:   Ms. Schenk.

23                    MS. SCHENK:   Yes.

24                    MS. NEIBEL:   Mr. Umberg.

25                    MR. UMBERG:   Yes.

1 MS. NEIBEL: Ms. Perez-Estolano.

2 MS. PEREZ-ESTOLANO: Yes.

3 MS. NEIBEL: Mr. Frank.

4 MR. FRANK: Yes.

5 MS. NEIBEL: Chairman Richard

6 CHAIRMAN RICHARD: Yes.

7 Okay. We come to Item 7, Approval of the City of  
8 Fresno Cooperative Agreement Regarding Veterans  
9 Boulevard. The real significant of this is that I  
10 believe I have now reached a point where I have not  
11 inadvertently skipped over any items on the agenda,  
12 which may be a first.

13 MR. HARTNETT: I think it is, Chair.

14 CHAIRMAN RICHARD: Ms. Gomez, when Ms.  
15 Schenk was talking before about how some of these  
16 regional people can get a mind of their own, I expected  
17 to see you get up and leave.

18 MS. GOMEZ: Jeff is still our CEO for now.  
19 I still report to him.

20 MR. MORALES: And you're our regional  
21 director for now.

22 MS. GOMEZ: For today at least.

23 Okay. So I'm here to present -- to request to  
24 the Board to delegate to our CEO, Mr. Morales, or to  
25 approve an agreement with the City of Fresno to join a

1 portion of the City's Veterans Boulevard agreement. As  
2 you are all aware, the construction package CP 1 runs  
3 for 25 miles from Madera County through the City of  
4 Fresno, and it did create many road conflicts within the  
5 city and with the counties. So we have been working  
6 very closely with the City of Fresno to mitigate those  
7 road closures. In the northwest area of the City of  
8 Fresno -- within the -- in the northwest areas of the  
9 City of Fresno Carnegie Avenue will have to be closed by  
10 our project, and it would cuff off a developed area from  
11 their primary ingress and egress point, which is Golden  
12 State Boulevard. After extensive discussion, we have  
13 all determined that building the over crossing portion  
14 of Veterans Boulevard project would be preferred to  
15 reestablish that access to the area of the City of  
16 Fresno.

17 Prior to the development of this portion of our  
18 project, the City had begun -- had begun their project  
19 of adding an interchange to State Route 99 for Veterans  
20 Boulevard, a new major arterial connecting the city  
21 areas east and west to State Route 99. In addition to  
22 the interchange itself, the project included a  
23 construction of an over crossing of the existing UPRR  
24 right-of-way. Our project will be parallel and adjacent  
25 to the UPRR right-of-way in this area. So the over

1 crossing structure needed to be lengthened to span those  
2 rail lines. The City and our staff have agreed that  
3 this over crossing could also be used to reconnect  
4 Carnegie to Golden State Boulevard. Cooperatively  
5 finding the extended over crossing would negate the need  
6 for a separate over crossing at Carnegie resulting in an  
7 overall cost saving to the Authority. Two other methods  
8 of reconnecting Carnegie to Golden State were also  
9 considered but were rejected due to their high cost and  
10 substantial impacts to local businesses.

11 As you can see from the slide above, you could  
12 see the proposed over crossing as well as the connection  
13 to Carnegie, which are very close in distance. Areas  
14 shown in blue would be part of the City's contract,  
15 while areas in purple are a direct result of our project  
16 and would be our responsibility through the CP 1  
17 contract. The City and our staff are currently working  
18 to refine how the temporary and permanent connection of  
19 Veterans Boulevard to Golden State Boulevard are made  
20 with the intent to minimize any throw away cost.

21 We are recommending that you delegate the  
22 authority to CEO to finalize the negotiations with the  
23 City of Fresno and execute the final agreement  
24 consistent with the following responsibilities; the  
25 authority to be responsible for funding construction and

1 construction management support, an estimated cost 28  
2 million. The City would be responsible for performing  
3 and funding environmental design and right-of-way  
4 support, right-of-way acquisition and utility location,  
5 estimated cost of 9 million for Veterans Boulevards. In  
6 general, the High-Speed would be responsible for all of  
7 the construction costs for the facility shown in blue on  
8 the previous map, and the City would be responsible for  
9 all of the environmental design right-of-way and utility  
10 relocation costs for the blue areas. There will also be  
11 cost sharing by the High-Speed Rail, by the Authority,  
12 on some of the right-of-way that the City will be  
13 acquiring for our facility. Estimated construction  
14 costs, as I mentioned, for the Authority are 28 million  
15 and the City's overall cost responsibilities would be  
16 about 9 million.

17 We are, hereby, requesting that the Board grant  
18 CEO Morales the authority to finalize negotiations and  
19 approve this agreement.

20 With that, if you have any questions.

21 CHAIRMAN RICHARD: Questions from the  
22 members of the Board? I think it's pretty clear. Thank  
23 you, Ms. Gomez.

24 Mr. Morales.

25 MR. MORALES: Just very briefly, I think

1    this is a good example of the kind of cooperative work  
2    we're doing, certainly with the City of Fresno, County,  
3    but we have done elsewhere where we're not only looking  
4    to mitigate the impacts to facilitate our project but  
5    where possible, help improve an existing situation or  
6    solve some other problems. We had a similar issue with  
7    some over crossing in Madera and Merced that we worked  
8    through, and it's a good win/win for both the Authority  
9    and the program of the City of Fresno.

10           CHAIRMAN RICHARD: In some of the travels I  
11    have had through the Valley, I've had conversations with  
12    people -- but too often people -- about, "Well, what is  
13    high-speed rail doing to my community," as opposed to  
14    thinking, "What is high-speed rail doing for my  
15    community." And this is an area where working in close  
16    cooperation with dynamic leaders in Fresno, city and  
17    county, we can actually bring benefits.

18           MR. MORALES: And an example -- perhaps, we  
19    can do it at the next Board meeting -- the agreement of  
20    the realignment of 99 is going to have some very  
21    significant benefits to the City for residents there,  
22    which we delineate very clearly and reenforces that.

23           CHAIRMAN RICHARD: Well, gee, it also seems  
24    contrary to things that I have been reading that we're  
25    kind of proceeding on construction of this project.

1 Can we have a motion for this item.

2 MR. FRANK: So moved.

3 CHAIRMAN RICHARD: Moved by Mr. Frank.

4 MS. PEREZ ESTOLANO: Second.

5 CHAIRMAN RICHARD: Seconded by

6 Ms. Perez-Estolano and Mr. Umberg.

7 So please call the roll.

8 MS. NEIBEL: Vice-Chair Richards.

9 MR. RICHARDS: Yes.

10 MS. NEIBEL: Vice-Chair Hartnett.

11 MR. HARTNETT: Yes.

12 MS. NEIBEL: Ms. Schenk.

13 MS. SCHENK: Yes.

14 MS. NEIBEL: Mr. Umberg.

15 MR. UMBERG: Yes.

16 MS. NEIBEL: Ms. Perez-Estolano.

17 MS. PEREZ-ESTOLANO: Yes.

18 MS. NEIBEL: Mr. Frank.

19 MR. FRANK: Yes.

20 MS. NEIBEL: Chairman Richard.

21 CHAIRMAN RICHARD: Yes.

22 Thank you, Ms. Gomez.

23 MS. GOMEZ: Thank you.

24 CHAIRMAN RICHARD: How are your Raiders

25 doing?

1 MS. GOMEZ: Not too good.

2 CHAIRMAN RICHARD: Yeah. Okay. So before  
3 we head back into closed session, I just had one or two  
4 other items. One of issues that came up this morning in  
5 conversation for -- related to the recent decision by  
6 the Service Transportation Board, let me ask our CEO,  
7 Mr. Morales, can you explain what happened and put this  
8 in some context.

9 MR. MORALES: Sure. Well, I think it's  
10 probably worth a preface that I think it's probably safe  
11 to say that until very recently, very few people in this  
12 room or anyone watching this project knew that Service  
13 Transportation Board existed, much less what its  
14 processes were. So it's certainly understandable that  
15 there can be confusion about that agency and its  
16 impacts, but I think we saw with regard to its decision  
17 yesterday, we've seen some combination of that action  
18 being misunderstand, misreported, and/or misrepresented,  
19 and including statements that it's a major blow to the  
20 project, which, just frankly, there's no basis or  
21 credence to that.

22 The STB, in looking at our petition or any  
23 petition, has basically two things that it looks at, two  
24 broad categories. One is the issues relating to  
25 interstate transportation, and those are things like



1 competition and other economic factors having to do with  
2 railroads and transportation value. And then the other  
3 major area is environmental impacts. And on that, it's  
4 worth noting the STB is now, in fact, part of our  
5 environmental process. They're a cooperating agency and  
6 so are currently involved.

7 In the past, the STB has, in other cases,  
8 bifurcated its review and looked at the interstate  
9 carrier aspect separately from the environmental and  
10 reached a decision on those issues and then said it will  
11 become final on completion of the environmental reviews.  
12 We submitted our petition and suggested that they might  
13 want to take that same course with our program not to  
14 shortcut either review but simply to bifurcate, and the  
15 reason really for that as we look to manage risks on all  
16 levels of the program, we submitted our petition almost  
17 a year ahead of when we needed action. So we have given  
18 them plenty of opportunity, but we also recognize that  
19 we don't do that process. So I wanted to try to look at  
20 their best practice and say, "Maybe there's a way to  
21 ensure that things can keep moving along timely." Their  
22 decision yesterday was very clear and direct. It said  
23 that they don't need to bifurcate the process, that  
24 they'll conduct it under the normal review, and that  
25 there's no reason to believe that they can't get it done

1 in the timeframe we have asked for a decision. So the  
2 process continues. We submitted that petition back in  
3 September, and they'll continue reviewing it and come to  
4 a conclusion.

5 Some of the questions raised about the process  
6 and the notion of secrecy. Again, I'm not quite sure  
7 how we do anything in secret. That is, when we filed  
8 our first petition --

9 CHAIRMAN RICHARD: I want to clarify that  
10 we're not trying to.

11 MR. MORALES: Yes, we're not trying to do  
12 anything. We certainly aren't.

13 When we filed our first petition back in the  
14 spring of last year -- or this year. Sorry. We file it  
15 as is required of the STB. They post it on their  
16 website. Publish it and solicit comments, and there  
17 were multiple comments that were submitted in response,  
18 included from some of those who were here today based on  
19 that publication by the STB on the documented comments.  
20 When they took jurisdiction, the STB took jurisdiction  
21 in June over our program, the requirement for us to now  
22 submit petitions as we now go forward with each section  
23 became an administrative matter. We just have to do it  
24 in order to move through the process, and so we have and  
25 in accordance with their procedure and how we did it the

1 first time, we filed our petition. It was posted both  
2 on our website and on the STB website and an invitation  
3 for the parties to submit comments. Very same process  
4 that was used the first time and produced dozens of  
5 comments from interested parties on all sides. That  
6 comment period now, based on their decision, has been  
7 extended to December 24th, and then they will continue  
8 to review the matter before them and we expect a  
9 decision in the spring.

10 CHAIRMAN RICHARD: Just I wanted to say, I  
11 thought my friend, Colleen Carlson, the chief counsel  
12 for Kings County, that the letter that was read to us  
13 this morning was particularly bizarre, because as  
14 counsel, she should know that it's the STB that provides  
15 notice to the public when an application is made before  
16 them. And so this was not some sort of thing that we  
17 did to try to keep this from public view. This is a  
18 process that Kings County, in fact, asked for. They  
19 asked the STB to take jurisdiction over the project.  
20 They did. So they should know something about how the  
21 process works.

22 But, Jeff, you made a point yesterday in talking  
23 with me about this when you called to tell me that last  
24 year, when we filed with the STB, we gave them two  
25 choices at this point, and they turned down one, and

1     they took the other, and that this is, more or less,  
2     consistent with that approach.

3                 MR. MORALES:   Correct, and the process  
4     they're following is the very same one under which they  
5     provided approval to us to begin construction on the  
6     first segment earlier this year.   So again, we look at  
7     ways of continuing to move the process along.   We  
8     offered them two choices, and they took the one that  
9     produced the approval the last time as their basic  
10    procedure.

11                CHAIRMAN RICHARD:   And one last thing, just  
12    can you remind the Board and public what is the function  
13    of the STB.   What is it that they try and do.

14                MR. MORALES:   Um, a specific question.  
15                The service Transportation Board --

16                CHAIRMAN RICHARD:   Start with the title,  
17    one.

18                MR. MORALES:   -- is a successor agency to  
19    the old Interstate Commerce Commission, which was  
20    created a long time ago.

21                CHAIRMAN RICHARD:   1880s.

22                MR. MORALES:   Primarily to regulate  
23    railroads.   They regulate, in addition to railroads,  
24    things such as moving companies and rates that they  
25    change and things like that, such as trucking companies.

1 They have regulation on railroads. Their primary role  
2 in regulating is to ensure fair competition among  
3 railroads and fair access to markets. Their regulatory  
4 role with regard to passenger rails, such as us, is very  
5 limited, and primarily, their scope is over the  
6 construction of new rail systems when it comes to us,  
7 and that's what we have before them and they need to  
8 approve before we move into construction.

9 CHAIRMAN RICHARD: And their approach is to  
10 encourage construction of a national railroad.

11 MR. MORALES: Their statute actually makes  
12 it very clear that construction of new rail is in the  
13 national interest, and therefore, their processes are  
14 set up with that note.

15 CHAIRMAN RICHARD: One last thing on this, I  
16 think I read one of the stories this morning in the LA  
17 Times said that this was related to a 29-mile segment in  
18 the Central Valley. I believe that's totally inaccurate  
19 because last year, we received authorization from the  
20 Service Transportation Board for the 29-mile segment  
21 that we're building now. So this is related to the next  
22 segment of the alignment, which is the Fresno to  
23 Bakersfield; is that right?

24 MR. MORALES: Correct, it's tied to the  
25 Fresno to Bakersfield.

1                   CHAIRMAN RICHARD:  Sorry.  I just had to  
2 point that out.

3                   Okay.  We're going to go back into closed session  
4 now.  We'll report if there's any further items after  
5 that.

6                   I was going to make some commentary about my  
7 debate on KQED radio with Senator Dodd, but I think  
8 discretion is the better part of our case.

9                   We'll now enter into closed session.

10

11                  (Whereupon the Board entered into closed session.)

12

13                   CHAIRMAN RICHARD:  All right.  We're  
14 returned from the closed session, and the Board has no  
15 further items to report at this time.  With that, this  
16 meeting of the High-Speed Rail Authority is adjourned.

17

18

19                  (Whereupon the meeting adjourned at 12:52 p.m.)

20

21                                 --o0o--

22

23

24

25

1 I, Brittany Flores, a Certified Shorthand  
2 Reporter of the State of California, duly authorized to  
3 administer oaths, do hereby certify:

4 That the foregoing proceedings were taken before  
5 me at the time and place herein set forth; that any  
6 witnesses in the foregoing proceedings, prior to  
7 testifying, were duly sworn; that a record of the  
8 proceedings was made by me using machine shorthand which  
9 was thereafter transcribed under my direction; that the  
10 foregoing transcript is a true record of the testimony  
11 given.

12 Further, that if the foregoing pertains to the  
13 original transcript of a deposition in a Federal Case,  
14 before completion of the proceedings, review of the  
15 transcript ( ) was ( ) was not requested.

16 I further certify I am neither financially  
17 interested in the action nor a relative or employee of  
18 any attorney of party to this action.

19 IN WITNESS WHEREOF, I have this date subscribed  
20 my name.

21 Dated:

22 \_\_\_\_\_  
23

24 Brittany Flores CSR 13460  
25